QUARTERLY REPORT
04-2013

agder energi

2013 HIGHLIGHTS

- The Group's operating revenues in 2013 amounted to NOK 9 890 million, compared with NOK 8 945 million in 2012[1]. Revenues rose in the business areas Hydroelectric Power, Retail Market and Network.

- Operating profit in 2013 was NOK 2 315 million (2012: NOK 1 818 million), while pre-tax profit amounted to NOK 1 686 (1 581) million. The Group's tax expense was NOK 840 (682) million, giving an effective tax rate of 49.8% (43.1%). Profit after tax amounted to NOK 846 million (NOK 1 044 million).

- Agder Energi's operations expose it to risk from changes in electricity prices, electricity generation levels, exchange rates and interest rates. In order to hedge and manage cash flows in these areas, the Group uses hedging instruments. Unrealised gains and losses are measured through profit and loss. Unrealised gains and losses on electricity, currency and interest rate contracts can have a big impact on reported profits. In 2013, gains and losses contributed NOK 149 million to pre-tax profit, compared with NOK 301 million in 2012.

- Adjusted for unrealised gains and losses, the Group's operating profit was NOK 1 763 (1 492) million, and it made a pre-tax profit of NOK 1 538 (1 280) million. Adjusted for unrealised gains and losses and discontinued operations, profit after tax for 2013 was NOK 737 (683) million.

- The Group generated 7 738 GWh (8 134 GWh) of hydroelectric power in 2013, down 5%.

- The average spot price (in the NO2 region) was 29.0 øre/kWh (21.8 øre/kWh), up 33% on 2012.

- In December, Agder Energi Vannkraft received licences to build new dams at Skjerkevatn and Nåvatn in Åseral Municipality. These dams will increase Skjerka power station's reservoir capacity and head.

- Also in December, Agder Energi Nett was licensed to build Honna substation and to upgrade the regional power lines from Skjerka to Logna in Åseral. These projects are important in terms of strengthening reliability and to provide grid access for new generation.

- Agder Energi Nett has also been licensed to build a new high-voltage power line between Øye in Kvinesdal and Austadvika in Flekkefjord. This line will improve reliability and enable grid access for new renewable generation from wind farms and small hydro plants.

- Under Norwegian generally accepted accounting practice (NGAAP), Agder Energi's profit after taxation in 2013 was NOK 845 million (controlling interest's share). The equivalent figure for 2012 was NOK 700 million.

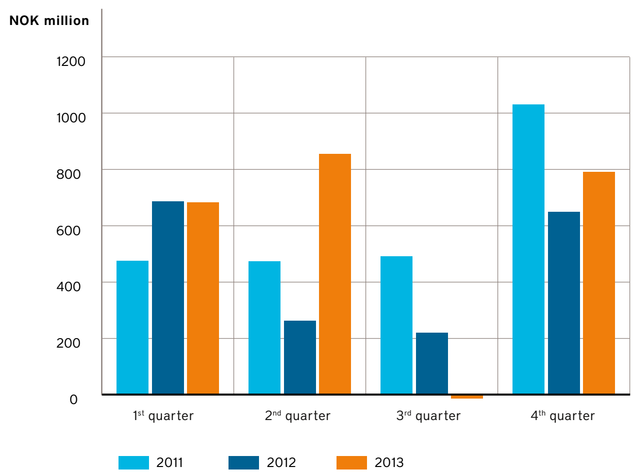
Key figures

		2013	2012	2011
Operating revenues	NOK millions	9 890	8 945	10 684
EBITDA	NOK millions	2 841	2 283	2 908
Adjusted EBITDA *	NOK millions	2 289	1 957	1 924
Operating profit/loss	NOK millions	2 315	1 818	2 470
Profit/loss before tax	NOK millions	1 686	1 581	2 163
Profit/loss after tax	NOK millions	846	1 044	1 161
Cash flow from operating activities	NOK millions	1 472	970	2 097
Purchase of property, plant, equipment and intangible assets	NOK millions	1 285	956	728
Capital employed **	NOK millions	11 904	11 165	10 177
Operating margin	%	23.4	20.3	23.1
Return on capital employed ***	%	17.3	17.7	23.6
Equity ratio	%	25.9	25.6	21.3
Net interest-bearing liabilities/Trailing 12-month adjusted EBITDA ****		3.3	3.7	3.6

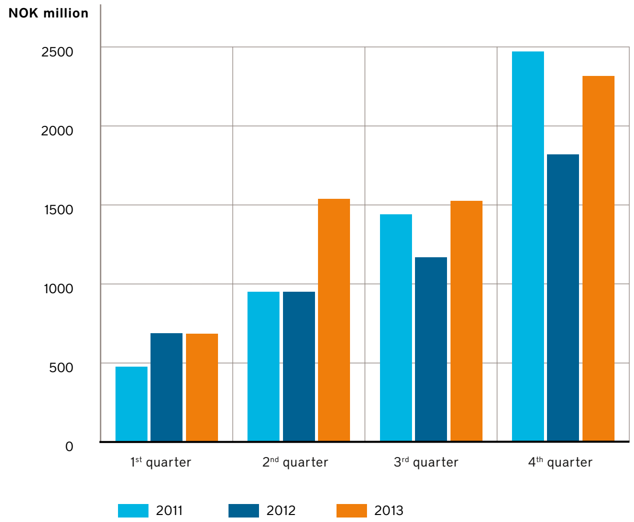
* Adjusted EBITDA is corrected for unrealised gains and losses on energy contracts. ** At the end of the reporting period. *** Before tax, based on profit loss and capital employed for the past four quarters. **** The rolling 12-month adjusted EBITDA is the adjusted EBITDA for the past four quarters.

1) Agder Energi's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The same accounting principles and calculation methods have been applied as for the annual financial statements for 2012, except when calculating the expected return on pension plan assets. The change is described in greater detail under the section on cash flows and capital adequacy. The accounts have not been audited. The financial statements of the parent company and subsidiaries adhere to Norwegian generally accepted accounting principles (NGAAP), and the business areas are presented in accordance with NGAAP in the interim report.

Operating profit for the quarter



Accumulated operating profit/loss



The Hydroelectric Power and Energy Management business areas

The combined turnover of these business areas in 2013 was NOK 2 603 (2 455) million, while their operating profit was NOK 1 462 (1 367) million. Pre-tax profit amounted to NOK 1 470 (1 420) million. In the fourth quarter, the company generated 1 752 GWh (2 514 GWh) of hydroelectric power. For the year as a whole, it generated 7 738 GWh (8 134 GWh), down 5%. Our average annual generation is around 7 700 GWh.

Hydrological resources (water and snow) increased significantly in the fourth quarter, and were well above normal at the end of the year. In 2013, the average price in the NO2 region was 29.0 øre/kWh (21.8 øre/kWh), up 33% from 2012.

The NOK 95 million increase in operating profit was due to higher spot prices and good scheduling. The contributions from the Group's hedging activities were lower than in the year-earlier period.
The tax expense was NOK 772 (638) million, which meant that the effective tax rate was 52.6% (45.0%).

Higher spot prices meant that both resource rent tax payable and expensed income tax rose. In addition, the estimate for deferred resource rent tax was adjusted up. Profit after tax amounted to NOK 697 (781) million.

NOK 767 (428) million was invested in property plant and equipment in 2013, of which NOK 535 (250) million related to investments in new projects. The new power stations Iveland II and Skarg (Brokke Nord/Sør) in Setesdal are the main reasons for the increase in investment.

The Network business area

This business area, which consists of the company Agder Energi Nett, had NOK 1 422 (1 048) million of operating revenues in 2013. Operating profit was NOK 478 (128) million.

Operating profit rose thanks to a higher income cap, which was in turn the result of a combination of permanent changes and temporary effects that only apply to 2013. The Norwegian Water Resources and Energy Directorate's new model for calculating return on capital is a permanent change. Compensation for expenses caused by bad weather and actuarial losses in 2011, on the other hand, represents a one-off gain in 2013. The same applies to extraordinary compensation provided through the income cap for the high expenses experienced by all grid operators in 2011. The temporary effects in 2013 were responsible for a significantly larger proportion of the increase in profit than the new calculation model.

NOK 429 (419) million was invested over the reporting period, of which NOK 152 (179) million related to investments in new projects.

The Market business area

This business area, which consists of LOS, Otera and Agder Energi Varme, achieved turnover of NOK 5 367 (5 059) million in 2013. Operating profit was NOK 93 (21) million.

LOS's turnover was NOK 3 930 in 2013, compared with NOK 3 423 million in 2012. Operating profit was NOK 98 (55) million, which was an all-time record. In total, LOS supplied 9 850 GWh (9 780 GWh) over the course of the year.

Otera's turnover in 2013 was NOK 1 347 (1 549) million, and it made an operating loss of NOK 19 (49) million. The operating loss includes a NOK 20 million charge for discontinued operations and writedowns.

Agder Energi Varme's turnover in 2013 was NOK 90 (86) million, while its operating profit was NOK 14 (15) million. It supplied 136 GWh (125 GWh) of energy in the year, up 9% from the previous year. The increase was mainly due to an increase in customers connected to its district heating network. Electricity price hedges made a positive contribution, although it was lower than in 2012.

Investment in 2013 amounted to NOK 52 (62) million.

Cash flows and capital adequacy
Cash flow from operating activities came to NOK 1 471 million in 2013, compared with NOK 970 million in 2012. The increase in EBITDA adjusted for unrealised gains and losses was the biggest reason for the strong cash flow. Trade receivables also fell over the course of the year.

NOK 1 364 (1 060) million was invested during the year. Net cash used in investing activities totalled NOK 1 341 million, compared with NOK 509 million in 2012. There were two reasons for the big increase. Firstly, investment levels were higher in 2013, particularly for hydroelectric power. Secondly, cash flow in 2012 was boosted by the sale of shares in LOS Bynett, Ventelo and the debt collection company Sopran. The Hydroelectric Power and Network business areas were responsible for 95% of the investments in property, plant and equipment.

Net finance costs came to NOK 629 (237) million for the year. The interest expense on the Group's debt portfolio amounted to NOK 287 (301) million. The Group realised a NOK 52 (125) million gain on currency contracts, whereas it made an unrealised loss of NOK 403 (25) million on interest rate swaps and currency contracts. There was a NOK 27 (11) million impairment charge against non-current financial assets. The Group's share of losses of associates amounted to NOK 5 (31) million.

Average interest-bearing liabilities were NOK 7 130 (6 946) million, and the average interest rate on the debt portfolio was 4.0% (4.3%). The Group had a liquidity buffer of NOK 1 412 (1 265) million at the close of the year, consisting of unused credit facilities and unrestricted liquid assets.

Changes to accounting principles, estimates and correction to depreciation
At the start of 2013, Agder Energi implemented the revisions to the rules on pensions contained in IAS 19 Employee benefits. The most important change from Agder Energi's point of view is that the return on pension plan assets for accounting purposes is now based on the discount rate used to calculate the present value of pension liabilities. Previously the expected return on the pension plan assets was used. The amendment must be applied retrospectively, so comparative figures have been adjusted accordingly. For 2012, this increased wage costs by NOK 34 million, and reduced the tax expense by NOK 10 million.

The tax expense for 2013 was reduced by the fact that Agder Energi has changed its model for calculating deferred resource rent tax assets arising from temporary differences. Meanwhile, the price of future contracts for electricity has fallen significantly. This has led to a downward adjustment of the value of negative resource rent carryforwards. This means that there was a net NOK 72 million expense arising from changes in deferred resource rent tax, NOK 92 million worse than the previous year. These items have no impact on cash flows.

In the fourth quarter it was discovered that the registered depreciation period for certain items of property, plant and equipment in the Hydroelectric Power business area was too high. This error, which runs right back to the last century, has meant that declared annual depreciation has been NOK 15 million too low. It has been treated as an accounting error in the financial statements for prior years, and after adjustments for deferred tax, correcting it has reduced the value of property, plant and equipment by NOK 350 million and equity by NOK 147 million. There is no impact on cash flows.

Operations and working environment
At the close of 2013, the Group had 1 551 (1 529) full-time and temporary employees, representing 1 526 (1 494) full-time equivalents. The reason for the increase is acquisitions in the Group's venture capital portfolios.

The Group's sickness absence rate was 3.6% in 2013, compared with 3.9% in 2012, and 29 (37) occupational accidents resulting in injury were recorded during the year. The incidents occurred at Otera (27) and Agder Energi Vannkraft (2). Of the accidents, 10 (18) resulted in total lost time of 112 (212) days. The accident figures are equivalent to a lost time injury frequency (number of LTIs per million work hours) of 3.9 (6.8), a total injury frequency (number of injuries, whether or not they resulted in lost time, per million work hours) of 11.2 (12.9) and an injury severity rate (number of days lost per million work hours) of 43.3 (82.0).

These are the lowest accident figures in the history of Agder Energi.

Outlook
We expect our grid operating company to achieve significantly lower profit in 2014 than in 2013. The main reason for this is that in 2013 grid operators received a one-off compensation through the income cap for expenses incurred in 2011.

The prices of future contracts suggest that electricity prices will fall in the coming years. At the end of the year, the Group's hydrological resources (water and snow) were significantly above normal. Assuming normal precipitation levels, Agder Energi expects to generate more hydroelectric power in 2014 than in 2013.

Kristiansand, 11 February 2014
The Board of Directors of Agder Energi AS

INCOME STATEMENT

	Q4			
(Amounts in NOK millions)	2013	2012	2013	2012
Energy sales	764	1 000	6 278	5 624
Transmission revenues	339	366	1 245	1 079
Other operating revenues	506	624	1 815	1 916
Unrealised gains and losses on energy contracts	499	79	552	326
Total operating revenues	**2 108**	**2 069**	**9 890**	**8 945**
Energy purchases	-242	-320	-3 920	-3 366
Transmission expenses	-49	-54	-163	-192
Other raw materials and consumables used	-278	-370	-971	-1 114
Employee benefits	-293	-270	-1 041	-1 015
Depreciation and impairment losses	-180	-119	-526	-465
Property taxes and licence fees	-52	-48	-204	-194
Other operating expenses	-222	-238	-750	-781
Total operating expenses	**-1 316**	**-1 419**	**-7 575**	**-7 127**
Operating profit/loss	**792**	**650**	**2 315**	**1 818**
Share of profit/loss of associates and jointly controlled entities	-1	-1	-5	-31
Finance income	1	74	78	145
Unrealised gains/losses on currency and interest rate contracts	-98	-41	-403	-25
Finance costs	-80	-93	-299	-326
Net finance income/costs	**-178**	**-61**	**-629**	**-237**
Profit/loss before tax	**614**	**589**	**1 686**	**1 581**
Income tax	-174	-165	-470	-452
Resource rent tax	-30	-85	-370	-230
Tax expense	**-204**	**-250**	**-840**	**-682**
Profit/loss after tax (continuing operations)	**410**	**338**	**846**	**899**
Profit/loss after tax (discontinued operations)	0	70	0	145
Profit after tax	**410**	**409**	**846**	**1 044**
Of which attributable to non-controlling interests	9	5	12	8
Of which attributable to controlling interest	401	404	834	1 036
Earnings per share/Earnings per share, diluted (NOK)	149	149	309	384

COMPREHENSIVE INCOME

(Amounts in NOK millions)	Q4 2013	 2012	 2013	 2012
Profit after tax	**410**	**409**	**846**	**1 044**
Other comprehensive income				
Cash flow hedges	-48	0	-139	-1
Translation differences	3	0	10	0
Tax impact	13	0	38	0
Items that may be reclassified subsequently to income statement	**-32**	**0**	**-91**	**-1**
Actuarial gains and losses on pensions	216	505	216	532
Tax impact	-51	-142	-51	-149
Items that will not be reclassified to income statement	**165**	**363**	**165**	**383**
Other comprehensive income	**133**	**363**	**74**	**382**
Total comprehensive income	**543**	**772**	**920**	**1 426**
Of which attributable to non-controlling interests	10	5	15	8
Of which attributable to controlling interest	533	767	905	1 418

STATEMENT OF FINANCIAL POSITION

(Amounts in NOK millions)	31/12/2013	30/09/2013	31/12/2012	01/01/2012
Deferred tax assets	484	498	516	539
Intangible assets	259	277	232	229
Property, plant and equipment	12 040	11 799	11 305	10 791
Investments in associates and jointly controlled entities	181	185	197	219
Other non-current financial assets	530	492	456	310
Total non-current assets	**13 494**	**13 251**	**12 706**	**12 088**
Inventories	35	34	35	33
Receivables	1 677	1 330	1 934	1 602
Derivatives	1 022	626	645	449
Cash and cash equivalents	33	56	89	102
Total current assets	**2 767**	**2 046**	**2 703**	**2 186**
Assets (discontinued operations)	**0**	**0**	**0**	**539**
TOTAL ASSETS	**16 261**	**15 297**	**15 409**	**14 813**
Paid-in capital	1 907	1 907	1 907	1 907
Retained earnings	2 243	1 735	1 976	1 200
Non-controlling interests	86	76	60	42
Total equity	**4 236**	**3 718**	**3 943**	**3 149**
Deferred tax	665	536	607	471
Provisions	1 134	1 396	1 366	1 925
Interest-bearing non-current liabilities	5 931	5 386	4 796	5 259
Total non-current liabilities	**7 730**	**7 318**	**6 769**	**7 655**
Interest-bearing current liabilities	1 737	2 112	2 426	1 769
Tax payable	771	660	663	655
Derivatives	464	403	240	227
Other non-interest-bearing current liabilities	1 323	1 086	1 368	1 297
Total current liabilities	**4 295**	**4 261**	**4 697**	**3 948**
Liabilities (discontinued operations)	**0**	**0**	**0**	**61**
TOTAL EQUITY AND LIABILITIES	**16 261**	**15 297**	**15 409**	**14 813**

CASH FLOW STATEMENT

(Amounts in NOK millions)	Q4 2013	Q4 2012	2013	2012
Cash flow from operating activities				
Profit/loss before tax (continuing operations)	614	589	1 686	1 581
Profit/loss before tax (discontinued operations)	0	76	0	160
Depreciation and impairment losses	207	130	553	476
Unrealised gains/losses on energy, currency and interest rate contracts	-401	-38	-149	-300
Share of profit/loss of associates and jointly controlled entities	1	1	5	31
Loss/gain on disposal of discontinued operations	0	-120	2	-120
Tax paid	-4	-6	-654	-653
Change in trade receivables	-596	-711	105	-191
Change in trade payables	143	112	14	-1
Change in net working capital, etc.	283	185	-91	-13
Net cash provided by operating activities	**248**	**218**	**1 471**	**970**
Investing activities				
Purchase of property, plant, equipment and intangible assets	-408	-342	-1 285	-956
Purchase of businesses/financial assets	-27	-35	-56	-60
Net change in loans	-4	-5	-23	-44
Sale of property, plant, equipment and intangible assets	0	45	16	47
Sale of businesses/financial assets	0	269	8	504
Net cash used in investing activities	**-439**	**-68**	**-1 340**	**-509**
Financing activities				
New long-term borrowings	500	374	1 933	1 347
Repayment of long-term borrowings	-155	-498	-1 835	-1 380
Net change in current liabilities	-177	-12	341	212
Dividends paid	0	0	-626	-653
Net cash used in financing activities	**168**	**-136**	**-187**	**-474**
Net change in cash and cash equivalents	**-23**	**14**	**-56**	**-13**
Cash and cash equivalents at start of period	56	75	89	102
Cash and cash equivalents at end of period	33	89	33	89

EQUITY STATEMENT

(Amounts in NOK millions)	Paid-in capital	Cash flow hedges	Translation differences	Retained earnings	Total for controlling interest	Noncon-trolling interests	Total equity
Equity at 31/12/2011	**1 907**	**28**	**0**	**1 319**	**3 254**	**42**	**3 296**
Correction of errors in prior years' depreciation	0	0	0	-147	-147	0	-147
Equity at 01/01/2012 (corrected)	**1 907**	**28**	**0**	**1 172**	**3 107**	**42**	**3 149**
Profit/loss for the year	0	0	0	1 036	1 036	8	1 044
Other comprehensive income and expenses	0	-1	0	383	382	0	382
Dividends paid	0	0	0	-650	-650	-3	-653
Changes due to acquisitions, disposals, etc.	0	0	0	8	8	13	21
Equity at 31/12/2012	**1 907**	**27**	**0**	**1 949**	**3 883**	**60**	**3 943**
Equity at 01/01/2013	**1 907**	**27**	**0**	**1 949**	**3 883**	**60**	**3 943**
Profit/loss for the year	0	0	0	834	834	12	846
Other comprehensive income and expenses	0	-101	7	165	71	3	74
Dividends paid	0	0	0	-620	-620	-6	-626
Changes due to acquisitions, disposals, etc.	0	0	0	-18	-18	17	-1
Equity at 31/12/2013	**1 907**	**-74**	**7**	**2 310**	**4 150**	**86**	**4 236**

BUSINESS AREAS

PROFIT/LOSS AFTER TAX UNDER NGAAP

	Q4			
(Amounts in NOK millions)	**2013**	**2012**	**2013**	**2012**
Hydroelectric power and energy management	174	251	697	781
Network	73	-2	295	32
Market	19	-7	43	-6
Parent company/other/eliminations	-64	35	-183	-100
Group (NGAAP)	**202**	**277**	**852**	**708**
Of which attributable to non-controlling interests	4	5	7	8
Of which attributable to controlling interest	**198**	**272**	**845**	**700**

OPERATING PROFIT/LOSS UNDER NGAAP

	Q4			
(Amounts in NOK millions)	**2013**	**2012**	**2013**	**2012**
Hydroelectric power and energy management	256	438	1 462	1 367
Network	108	18	478	128
Market	33	-2	93	21
Parent company/other/eliminations	-58	59	-164	8
Group (NGAAP)	**339**	**513**	**1 870**	**1 524**

RECONCILIATION WITH GROUP'S REPORTED OPERATING PROFIT/LOSS

	Q4			
(Amounts in NOK millions)	**2013**	**2012**	**2013**	**2012**
Operating profit/loss (NGAAP)	**339**	**513**	**1 870**	**1 524**
Adjustment for differences arising from:				
Energy sales	-13	-3	-31	-16
Surplus/shortfall in transmission revenues	-8	122	-79	126
Goodwill amortisation and impairment	-22	5	-8	24
Discontinued operations [1)]	0	-88	0	-162
Other	-4	21	11	-5
Operating profit/loss (adjusted IFRS)	**293**	**571**	**1 763**	**1 492**
Unrealised gains and losses on energy contracts	498	79	552	326
Operating profit/loss under IFRS	**791**	**650**	**2 315**	**1 818**

1) Comprises gains on the sale of businesses and the operating profit/loss of businesses in the process of being sold until they are finally disposed of. Under IFRS, discontinued operations are presented on a separate line and are therefore not included in the operating profit/loss.

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